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U.S. SEC

MISSION



04017119

Information Required of Brokers
Pursuant to Section 17 of the Securities Exchange Act of 1934
and Rule 17a-5 Thereunder

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NO.

8-39227

REPORT FOR THE PERIOD BEGINNING

1/01/03

MM/DD/YY

AND ENDING

12/31/03

MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Russell Fund Distributors, Inc.

Official Use Only

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS:

(Do not use P.O. Box No.)

909 A Street

(No. and Street)

Tacoma

WA

98402

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Linda L. Gutmann

(253) 591-2969

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

(Name -- If individual, state last, first, middle name)

PricewaterhouseCoopers LLP

1420 Fifth Avenue, Suite 1900

Seattle

WA

98101

(ADDRESS) Number and Street

City

State

Zip Code

CHECK ONE:

☒ X

Certified Public Accountant

☐

Public Accountant

☐

Accountant not resident in United States or any of its possessions.

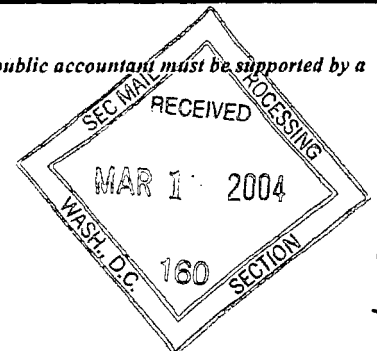
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FOR OFFICIAL USE ONLY

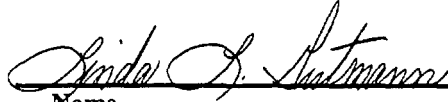
THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).



OATH OR AFFIRMATION

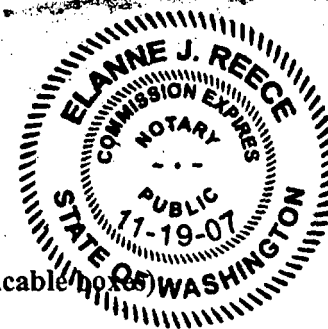
I, Linda L. Gutmann, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Russell Fund Distributors, Inc. as of December 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.



Name

Title: Treasurer


Notary Public



This report ** contains (check all applicable boxes)

- | | |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | (a) Facing Page |
| <input checked="" type="checkbox"/> | (b) Statement of Financial Condition |
| <input type="checkbox"/> | (c) Statement of Operations |
| <input type="checkbox"/> | (d) Statement of Cash Flows |
| <input type="checkbox"/> | (e) Statement of Changes in Stockholder's Equity |
| <input type="checkbox"/> | (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors |
| <input type="checkbox"/> | (g) Computation of Net Capital |
| <input type="checkbox"/> | (h) Computation for Determination of Reserve Requirement Pursuant to Rule 15c3-3 |
| <input type="checkbox"/> | (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3 |
| <input type="checkbox"/> | (j) A Reconciliation, including appropriate explanation, of the computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A Rule 15c3-3 |
| <input type="checkbox"/> | Schedule of Segregation Requirements and Funds in Segregation Pursuant to Commodity Exchange Act |
| <input type="checkbox"/> | (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation |
| <input checked="" type="checkbox"/> | (l) An Oath or Affirmation |
| <input type="checkbox"/> | (m) A Copy of the SIPC Supplemental Report |
| <input type="checkbox"/> | (n) A Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit |
| <input type="checkbox"/> | (o) Independent Auditors' Report on Internal Control Structure Required by SEC Rule 17a-5 |

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3)

Russell Fund Distributors, Inc.

Statement of Financial Condition
December 31, 2003



Russell Fund Distributors, Inc.

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December 31, 2003

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PricewaterhouseCoopers LLP
1420 Fifth Avenue
Suite 1900
Seattle WA 98101
Telephone (206) 398 3000
Facsimile (206) 398 3100

Report of Independent Auditors

To the Board of Directors and Shareholder of
Russell Fund Distributors, Inc.

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Russell Fund Distributors, Inc. (the "Company") at December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 20, 2004

Russell Fund Distributors, Inc.
Statement of Financial Condition
December 31, 2003

Assets

Cash equivalents	\$ 7,271,927
Distribution fees receivable	2,195,796
Due from affiliates	174,529
Other	<u>10,410</u>

Total assets \$ 9,652,662

Liabilities and Stockholder's Equity

Liabilities

Distribution fees payable	\$ 6,017,007
Accrued expenses	<u>527,209</u>
Total liabilities	6,544,216

Stockholder's equity

Common stock, par value \$0.10 per share; 100 shares authorized; 26 shares issued and outstanding	3
Additional paid-in capital	1,389,997
Retained earnings	<u>1,718,446</u>

Total stockholder's equity 3,108,446

Total liabilities and stockholder's equity \$ 9,652,662

The accompanying notes are an integral part of this financial statement.

Russell Fund Distributors, Inc.
Notes to Financial Statement
December 31, 2003

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Russell Fund Distributors, Inc. (the "Company") is a wholly owned subsidiary of Frank Russell Investment Management Company ("FRIMCo"), a wholly owned subsidiary of Frank Russell Company ("FRC"). The Northwestern Mutual Life Insurance Company owns substantially all the outstanding shares of FRC.

The Company is a broker-dealer registered pursuant to the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. The Company engages in the sale of redeemable shares of registered investment companies and direct participation programs in the United States of America.

The Company has entered into distribution and shareholder servicing agreements with two registered investment companies affiliated with the parent of the Company. Substantially all distribution and shareholder servicing fees received in connection with these agreements are remitted to financial intermediaries.

The Company has entered into a sales agreement with a registered investment company affiliated with the parent of the Company. Sales commissions received in connection with this agreement are recorded as revenue. For individual sales transactions exceeding a certain threshold, the Company is obligated to pay these sales commissions on behalf of the investor. These payments are recorded as an expense.

Cash Equivalents

The Company considers money market funds to be cash equivalents.

Revenue Recognition

Revenue from distribution and shareholder servicing activities is recognized as earned in accordance with the terms of the distribution and shareholder servicing agreements.

Income Taxes

The Company accounts for income taxes based upon an asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. As of December 31, 2003, there were no temporary differences resulting in deferred tax assets or liabilities.

The Company files its tax return with FRC as part of a consolidated group. The provision for income taxes is based on an allocation of the consolidated tax liability to the respective companies included in the consolidated group as if each company were filing on a separate return basis. The effective tax rate is 35 percent for the year ended December 31, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Related-Party Transactions

Under a joint paymaster agreement, FRC processes payments for the direct expenses of the Company. The Company reimburses FRC for these expenses.

Under an expense sharing agreement, other charges, such as marketing materials and accounting costs, incurred by FRC and FRIMCo on the Company's behalf are not allocated to the Company.

3. Net Capital and Reserve Requirements

The Company is subject to the Securities and Exchange Commission's uniform net capital rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital equal to the greater of \$5,000 or 6-2/3 percent of aggregate indebtedness. Rule 15c3-1 also requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. At December 31, 2003, the Company had net capital of \$577,272, which was \$140,991 in excess of its minimum net capital requirement of \$436,281, and the ratio of aggregate indebtedness to net capital was 11.3 to 1.

The Company operates under the provisions of Section (k)(1) of Rule 15c3-3 of the Securities Exchange Act of 1934 and, accordingly, is exempt from the provisions of that Rule.

4. Concentration of Risk

Substantially all revenue earned by the Company is from affiliated entities.